

EXECUTIVE ORDER NO. 159

Establishing a Tax Reform Advisory Committee

WHEREAS, there is a need for a comprehensive review of the Republic of Palau's current tax laws with a view towards implementing the recommendations of the Master Plan by establishing a revised untitled tax law which will meet the present and future revenue needs of the Republic, and

WHEREAS, there is also a need to modernize the structure of the current tax administration in order to achieve the goals and objectives of the Master Plan, and

WHEREAS, the initial phase of a comprehensive tax consultancy through the International Monetary Fund (IMF) has resulted in a set of administrative and policy recommendations for the restructuring of the Bureau of Revenue, Customs and Taxation and the revision of the tax code, and

WHEREAS, the accomplishment of tax reform can best be facilitated through the creation of a broad based committee with representation throughout the community, both public and private

NOW THEREFORE, by the power vested in me as President of the Republic of Palau and pursuant to the Constitution and the laws of the Republic of Palau, a Tax Reform Advisory Committee (hereinafter "Committee") is hereby created. The Committee will be charged with the responsibility of reviewing the initial recommendations of the IMF tax consultant. The Committee will then be responsible for recommending the establishment of a set of reform measures, with the assistance of IMF consultancy. Reform measure recommendations shall include a proposed comprehensive draft tax reform bill with accompanying rules and regulations dealing both with tax policy and tax administration.

1. The Committee shall be comprised of representatives of the following offices, agencies and the community, and shall be assisted, as necessary, by additional employees and staff as assigned by the President:

Two representatives of the Palau Chamber of Commerce, selected by the Chamber of Commerce;

Two representatives of the Palau Business Association (PBA), selected by the Palau Business Association;

Two Senators of the Olbiil Era Kelulau, selected by the Senate;

Two Delegates of the Olbiil Era Kelulau, selected by the House of Delegates;

Two representatives of the Office of the President, selected by the President;

Two representatives of the Ministry of Administration, selected by Minister of Administration; and

The Director of the Bureau of Revenue, Customs and Taxation.

2. The Committee shall review the tax report of the IMF Consultant, prior reports on the issue of tax reform in the Republic and Palau's existing tax law (The Unified Tax Act.

3. In the development of tax reform, the Committee shall take into consideration the following issues:

- a. The need for an equitable and fair tax system,
- b. The need for a tax system which is appropriate for the sustainable development of the Republic,
- c. The need to, where possible, establish standard tax rates on all goods and services;
- d. The need to increase local revenues to replace Compact of Free Association Revenues;
- e. The positive and negative aspects of protective taxes and alternative means to achieve protection of local businesses, if so desired, such as targeted subsidies,
- f. The need to create a tax system that encourages foreign investment and economic development,
- g. The comprehensive revision of the administration, as well as the policy aspects of the tax code,
- h. The need to implement taxes within the scope of international standards; and
- i. Such other relevant issues as deemed necessary by the Committee.

4. The Committee will initially meet on March 9, 1998 and shall thereafter meet daily weekdays for at least three weeks. The first meeting of the Committee will occur in the Office of the President on March 9th at 10:00 a.m. After this three week period, the Committee shall prepare and submit a written preliminary report of its findings to the President, Vice President/Minister of Administration, the OEK and the Consultant, specifically commenting on all of the issues set forth above.

5. The Minister of Administration shall, based upon the Committee's Findings, coordinate, with the Consultant, the drafting of a tax reform bill to be completed no later than June 1, 1998.

6. The Committee shall thereafter make revisions to the proposed legislation as required,

and shall present a final proposed bill to the President no later than July 1, 1998.

7. The Committee shall then assist the President in the presentation of the proposed comprehensive tax bill to the Olbiil Era Kelulau at its Seventh Regular Session in July, 1998.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 19th day of February, 1997, at the State of Koror, Republic of Palau.

Kuniwo Nakamura
President of the Republic of Palau